



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

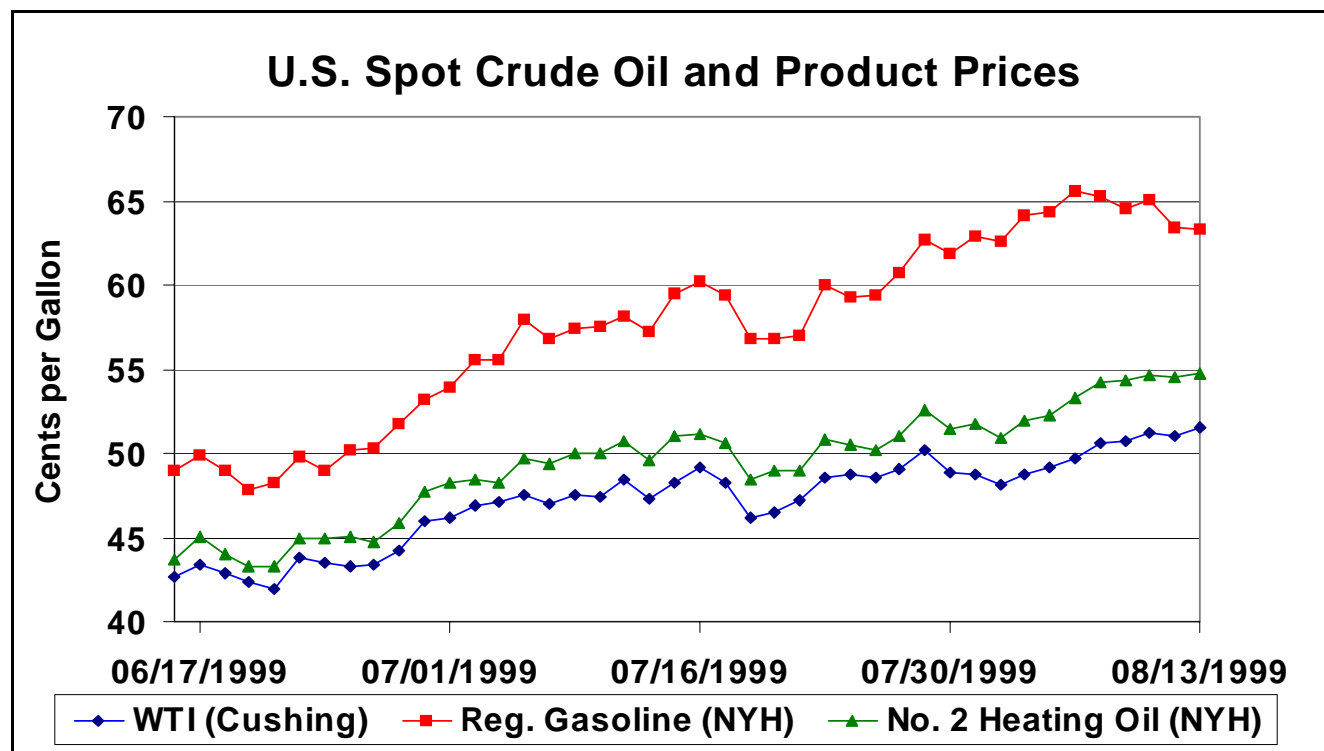
MARKET SUMMARY

U.S. petroleum market movements were mixed last week, with crude oil and distillate prices continuing to rise, but gasoline dropping from the previous week's high. Spot WTI crude and New York Harbor heating oil reached new highs since fall 1997, supported by a variety of domestic and international influences. Gasoline's weakness, in the face of declining inventories, crude market strength, and scattered refinery problems, appeared to reflect the waning summer driving season and the beginning of a shift in market focus toward heating fuels for the coming winter.

Crude oil - prices extended their long-term runup, now over 8 months in duration, with WTI spot and futures nearing \$22 per barrel, the level at which a Venezuelan official had recently said producers should raise output. Support last week came from a number of influences, including a larger-than-expected weekly stockdraw, an IEA report citing 91% OPEC July compliance with output cuts, Nigerian unrest affecting crude oil exports, and the fire-related shutdown of a major Texas pipeline.

Gasoline - gave up much of the previous week's price gains, despite underlying strength in crude oil. With the week's decline in spot prices, crack spreads (product versus crude) returned toward more typical levels from recent highs. Sharp declines in West Coast spot prices, as refinery operations there have returned toward normal, have removed one source of support for prices east of the Rockies. Inventories continued to decline at a greater-than-seasonal pace, standing nearly 14 million barrels lower than a year ago.

Distillate - prices generally kept pace with crude oil for the week, reaching their highest levels in nearly two years. U.S. inventories fell slightly, remaining high in the seasonal average range, but 11 million barrels below the year-ago level.



CHRONOLOGY OF RECENT MARKET EVENTS

- 8/13 - mixed** - crude and heating oil prices rose modestly, reaching new post-1997 highs, while gasoline eased. A Texaco declaration of *force majeure* on Nigerian shipments, along with a crude oil pipeline cutback due to power shortages, helped support crude prices, while new problems at two refineries were insufficient to keep gasoline from falling.
- 8/12 - falling** - a sharp drop in gasoline prices, attributed to profit-taking, led markets lower despite a variety of upward influences. A hydrocracker fire at Motiva's Convent, Louisiana refinery, news of a 2-4 week shutdown of a Chevron crude pipeline after Wednesday's fire, and an IEA report of 91% OPEC compliance with output cuts in July all failed to push prices higher.
- 8/11 - rising** - prices rose solidly across the board, supported by reports of larger-than-expected crude and product stockdraws from both API and EIA. A crude oil pipeline fire and cuts in refinery operations due to power shortages, all in Texas, also contributed to stronger prices.
- 8/10 - mixed** - crude oil prices posted a slight gain, but gasoline led most product prices lower despite expected stockdraws. The drop in gasoline prices pulled crack spreads back toward a more typical range, down from the sharply higher levels of the past two weeks.
- 8/9 - mixed** - most prices moved higher, led by crude oil, as NYMEX front-month crude closed above \$21 per barrel for the first time since 1997. Upward momentum continued from the week before, with an explosion at Citgo's Corpus Christi refinery the only new factor.
- 8/6 - rising** - spot and futures prices climbed for a third day, again led by gasoline, as pre-weekend shortcovering pushed WTI spot and futures back near \$21 per barrel. A report of high OPEC July compliance with output cuts, along with a reformer shutdown at Equilon's Wood River, Illinois refinery, provided further price support.
- 8/5 - rising** - prices rose marketwide for a second straight day, though less strongly, largely attributed to carryover from Wednesday's news of Russian export cuts and a strong crude draw. Gasoline weakened slightly in the afternoon, amid reports of improvements in California refinery status.
- 8/4 - rising** - gasoline led all prices higher, following a larger-than-expected weekly crude oil stockdraw and announced sharp reductions in Russian product exports. Shell's lifting of *force majeure* on Nigerian crude oil shipments caused a price dip in afternoon trading.
- 8/3 - falling** - all prices eased in relatively uneventful trading ahead of the weekly API and EIA supply reports, with little news to influence markets. The small declines still left prices near their recent peaks at the highest levels since 1997.
- 8/2 - mixed** - crude oil prices eased slightly in profit-taking, while products gained for the day, led by gasoline. The continued strength in gasoline was attributed to ongoing stockdraws at a greater-than-seasonal pace, especially on the West Coast, where refinery troubles persist.